CONDOMINIUM REPORT

Greater Toronto Area

Canada Mortgage and Housing Corporation

ISSUE: 2004

Apartment Condominium Universe Continues Trending Higher

- While growth in the apartment condominium stock fell short of increases witnessed last year, over 11,000 units were added to the universe in 2004.

- Condo apartment starts were strong in 2003 but completions year-to-date are still down from this time last year.

- Centrally located projects with more desirable amenities in Toronto Central and Toronto North led the way again this year, adding 4,810 and 3,881 units respectively.

- Looking ahead, increases in the universe should continue at a brisk pace over the next 12 to 24 months, particularly as record 2001-2002 sales to both investors and homeowners alike translate to stronger condo completions.

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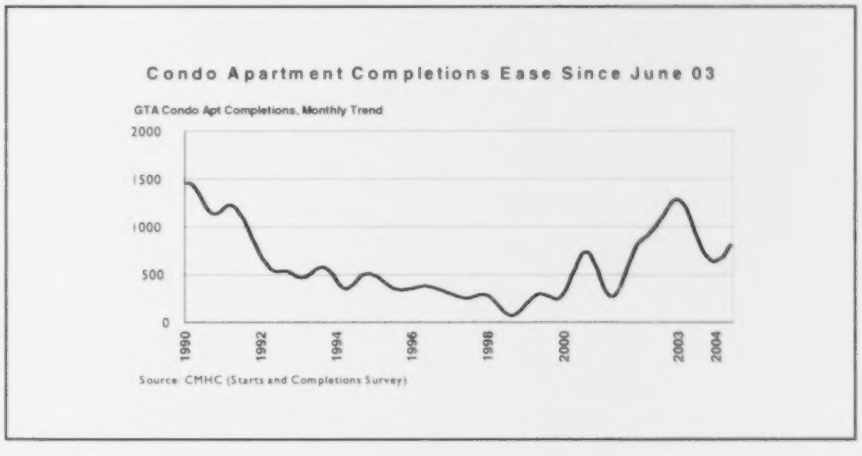

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CMHC SCHL

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2003 Condominium Survey Sample

2004 CONDOMINIUM SURVEY SAMPLE AND RENTAL UNIVERSE ESTIMATED

REGION	Condo Universe (# of units)	Units in (Survey) Sample	Rental Units in Sample	Rental Units as % of Total Universe	Estimated Total # of Rental Units
Toronto Central	50380	25504	6500	25.49%	12840
Toronto West	17058	14332	1972	13.76%	2347
Toronto East	25395	18002	3166	17.59%	4466
Toronto North	40317	25100	4917	19.59%	7898
Total Toronto	**133150**	**82938**	**16555**	**20.70%**	**27551**
York Region	14474	11420	1985	17.38%	2516
Peel Region	26348	18148	3700	20.39%	5372
Durham Region	4745	4371	559	12.79%	607
Halton Region	8890	6671	578	8.66%	770
Total GTA	**187607**	**123548**	**23377**	**19.60%**	**36816**
Toronto CMA	**180288**	**117977**	**22840**	**19.36%**	**34903**

The GTA percentage of rental estimate of 19.6% is accurate within 0.2%, 9 times out of 10. Regional percentages of rental estimates range in accuracy from 0.4% to 1.0%, 9 times out of 10

CMHC's Toronto Housing Market Outlook(HMO) Report 2004

- The Toronto Housing Market Outlook Report is CMHC's local forecast for new home and resale markets.
- The report is published twice annually in the spring and fall of each year.
- A detailed look on prices, neighbourhood analysis and economic and demographic trends is also included for your planning cycle.
- The much anticipated 2005 GTA housing outlook will be released in on **October 28, 2004.**

For more information or to order a report please contact 1-800-493-0059

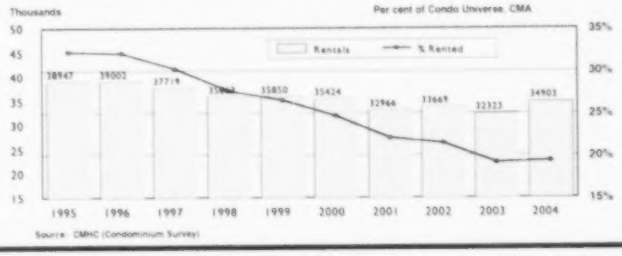
Rented Share of Total Universe Stabilizes in 2004

- An increased number of investor held condos were finally added to the stock this year. This occurred because a handful of projects that sold during the investment boom of '01-'02 reached completion.
- With investor held condo apartments leasing up, rents have stabilized and investor selling in the existing stock has subsided, adding further to the stock of rentals.
- Evidence showing selling subsiding was captured in MLS apartment listings, which while edging higher, showed slower growth relative to increases registered in 2003.

Consequently, the estimated number of rented condominiums increased by eight per cent this year.

- With the stock of rented condominium apartments marginally outpacing growth in the overall universe, the rented share of the universe stabilized for the first time in nearly 10 years (see chart below).
- While Toronto and North York showed increases in the share of investor held stock, York Region also posted notable increases. With fierce competition for tenants in the core, some investors turned their attention to investment opportunities in the suburbs.

Rented Share of Total Universe Stabilizes in 2004



Source: CMHC (Condominium Survey)

Rentals by Age

- Increases in the rental share in 2004 occurred namely in newer stock. Mature stock across most other age categories remained fairly stable.
- Much of the increase in this year's rental stock was sparked by new additions to the universe (96+ category) which carried a higher investor share relative to the past.
- Selling subsided less in older stock. Investors holding older stock faced fierce competition from newer product with better finishes and amenities, likely making older stock less desirable today for both tenants and owner occupiers. Evidence of this is reflected in prices for newer units which have and should continue holding up better.
- Structures built between 1986 and 1995 have the largest share of rental units but the gap relative to 1996+ is closing particularly as units bought during the 2002 investor boom reach completion.

% Rented by Project Age

Age	2002	2003	2004
<1976	17.9	14.9	14.4
76-85	17.3	14.5	15.2
86-95	25.5	23.1	22.0
96+	20.5	18.7	20.7

APARTMENT CONDOMINIUM UNIVERSE , 2001-2004

REGION	2001	2002	2003	2004	'03 -'04 Increase	'03 -'04 % CHNG
Toronto Central (Old Toronto City,East York,York)	38,307	40,610	45,570	50,380	4,810	10.6%
Toronto West (Etobicoke)	15,088	15,533	16,520	17,058	538	3.3%
Toronto East (Scarborough)	23,921	24,668	25,041	25,395	354	1.4%
Toronto North (North York)	30,954	32,289	36,436	40,317	3,881	10.7%
Total Toronto	**108,270**	**113,100**	**123,567**	**133,150**	**9,583**	**7.8%**
York Region	11,954	12,990	13,241	14,474	1,233	9.3%
Peel Region	23,964	25,242	25,989	26,348	359	1.4%
Durham Region	4,754	4,764	4,851	4,745	-106	-2.2%
Halton Region	7,430	8,278	8,617	8,890	273	3.2%
Total GTA	**156,372**	**164,374**	**176,265**	**187,607**	**11,342**	**6.4%**
Toronto CMA	**149,764**	**157,266**	**168,843**	**180,288**	**11,445**	**6.8%**

Source: CMHC (Condominium Survey)

CONDOMINIUM APARTMENT RENTAL ESTIMATES, JUNE 2003-2004

REGION	2003 Universe	2003 Rental Units	2003 % of Total Universe	2004 Universe	2004 Rental Units	2004 % of Total Universe
Toronto Central (Old Toronto City,East York,York)	45,570	10,949	24.0%	50,380	12,840	25.5%
Toronto West (Etobicoke)	16,520	2,627	15.9%	17,058	2,347	13.8%
Toronto East (Scarborough)	25,041	4,615	18.4%	25,395	4,466	17.6%
Toronto North (North York)	36,436	6,878	18.9%	40,317	7,898	19.6%
Total Toronto	**123,567**	**25,069**	**20.3%**	**133,150**	**27,551**	**20.7%**
York Region	13,241	2,058	15.5%	14,474	2,516	17.4%
Peel Region	25,989	5,322	20.5%	26,348	5,372	20.4%
Durham Region	4,851	588	12.1%	4,745	607	12.8%
Halton Region	8,617	801	9.3%	8,890	770	8.7%
Total GTA	**176,265**	**33,838**	**19.2%**	**187,607**	**36,816**	**19.6%**
Toronto CMA	**168,843**	**32,323**	**19.1%**	**180,288**	**34,903**	**19.4%**

Footnote: The GTA percentage of rental estimate of 19.6% is accurate within 0.2%, 19 times out of 20. Regional percentages of rental estimates range in accuracy from 0.4% to 1.0%,19 times out of 20.

Source: CMHC (Condominium Survey)

Trends Impacting Investment & Economic Outlook*

Residential real estate, including individual condos bought for investment purposes, delivered above average returns through the late 90s and into the new millennium. This was particularly true after the stock market correction in March 2000. Slower capital gain returns across all asset classes through 2004 and 2005, including real estate, suggests the pursuit of income growth will become increasingly important among investors. What follows is a snapshot of trends that will continue to impact different classes of assets.

Rates of Return By Asset Class (Total %)

	Cash	Bonds	Cdn Equities	US Equities	Int'l Equities	Residential Real Estate
	3-mnth T-bills	SCM Bond Index	S&P/TSX Index	S&P 500 Index	EAFE Index	Toronto Multi-Res Cap Rates
2000	5.45	10.24	7.41	-9.1	-13.96	8
2001	1.93	8.08	-12.57	-11.89	-21.21	7.8
2002	2.52	8.73	-12.44	-22.1	-15.66	7.6
2003	2.87	6.69	26.68	28.68	14.58	7.5
2004/2005f	*2.5-4.0*	*1.5-5.0*	*6.0-9.0*	*6.0-9.0*	*6.0-9.0*	*6.5-7.0*

Source: Bloomberg, Altus, TD Bank, CMHC

Cash

- Cash refers to short term investments usually less than one year in duration. As a proxy we use a traditional benchmark-namely the yield on 3-month T-bills. Returns on T-bills are tied to the overnight Bank of Canada rate and therefore monetary policy. Returns on cash have been poor over the past several years due to low inflation and loose monetary policy. Stronger projected N. American economic growth this year and next points to tighter monetary policy to combat rising inflationary pressure and therefore a higher return on cash.

Bonds

- Bonds, both private and public typically carry a maturity date of more than one year. Due to inflation, default, income and capital risks over a longer horizon, investors usually require higher rates of return on bonds. Stronger economic growth should fuel higher inflation over the next year. Required rates of return among bond-holders therefore are expected to rise, pulling bond prices lower and bond yields/rates of return higher. Rates of return on bonds as per the Scotia Capital Markets Universe Index should however fall short of returns realized during the equity market meltdown period of 2000-2002.

Equities

- An improved climate for corporate profits in N.America and abroad has resulted in a recovery in stock market returns as indicated by a sharp increase in equity market indices. Corporate profits however will be hard pressed through 2004-2005 to support the double digit increases in indices realized in the late 90s and in the recovery year of 2003. This is particularly true for Canadian firms battling a rising loonie. Consequently, consensus views suggest asset price growth should be tempered particularly when converted into Cdn dollars and income growth will become increasingly important.

Residential Real Estate in Toronto

Multi-Unit Residential

- A number of factors will continue to weigh on multi-unit residential yields, as measured by capitalization rates in the Toronto area. The shift of tenure from renting to owning, albeit at a slower rate, will push vacancies up to a new high by 2005, resulting in downward pressure on rents. Rising interest rates will push debt costs higher as will rising operating expenses (ie utilities) put pressure on income. While apartment/suite prices continue to rise due to fewer units available for sale, price increases will be tempered relative to increases witnessed in previous years.

Condo Apartment Market

- Similar to the purpose built market, upward pressure on condo vacancies will continue particularly as the next wave of condo apartment completions materialize. This should limit strength in rents. Strength in prices, particularly in central Toronto districts, will also be tempered as resale market inventories outpace the volume of buying in a higher interest rate environment.

Outlook

Looking ahead, slower to negative price growth and flat to softer rents suggests new investors buying condos will remain muted over the next year. Competition from other assets yielding comparable returns could also weigh on investor sentiment. Similarly, existing investors of newly completed condos could face disappointment. This is particularly true if the flow of new completions stay strong, as is expected, resulting in higher vacancies and weaker cash flow.

**Disclaimer: This section's analysis is not intended as investment advice. Actual performance may differ from projections. Please consult an investment professional to discuss your financial needs.*

Toronto West (Etobicoke) Bucks Market Trends in 2004

- New additions to the Etobicoke universe had a much smaller investor share relative to additions witnessed in other districts.

- While investors in Etobicoke's waterfront area have shown interest in purchasing new condominiums for investment purposes, much of the demand has been from end users namely empty nesters who require larger living space.

- This combined with selling in the existing stock, pulled the Etobicoke stock of condo rentals down by an estimated 11 per cent.

- Increases in condo apartment completions continued to push the Etobicoke condo universe up in 2004.

- Consequently, the share of investor held condominiums in Etobicoke continued its downtrend dropping to 13.8 per cent from just under 16 per cent in 2003. This is in stark contrast to most other districts where the universe share of rentals stabilized.

- Etobicoke's condo vacancy rate plunged to a GTA low of zero per cent from 1.4 per cent last year. Less product competing for a pool of tenants, contributed to a sharp decline in the district vacancy rate.

- Much of the investor selling was easily absorbed by Etobicoke's resale apartment market, evident in rising prices. Indeed, apartment prices in Etobicoke South (waterfront) and Etobicoke Central have been rising in excess of inflation. The same hasn't been true for Etobicoke North which has registered real price declines year to date.

Vacancy Rate Edges Lower in 2004

- The vacancy rate for rental condominium apartments in the GTA dropped from 1.6% to 0.9% in 2004. The sharpest vacancy drop was registered in the City of Toronto. This bucks the broader rental market trend of rising vacancies. A combination of both supply and demand factors were at work here.

- On the demand side, industry contacts have noted a sharp downward adjustment in high end rents relative to conventional apartment rents since 2001, helping lure more tenants into newer stock which bears superior amenities.

- On the supply side, completions have eased since last June. Thus, fewer tenants were lured out of their existing rental accommodation who would have otherwise taken occupancy of their new suites.

- In addition, some key investor owned buildings just registered experienced increases in units available for sale, further dampening the vacancy rate. Investors attempting to sell rather than to lease their new units were most notable in areas where condo prices softened most, namely Yonge-401 areas and the Queens Quay.

- According to industry contacts, rents have firmed since last spring suggesting stronger absorption of vacant condo rentals.

Share of Developer Owned Units Continue to Drop

- Developers in the GTA held just under 0.3 per cent of the condominium apartment stock in 2004, down slightly from the developer owned stock registered over the past several years.

- Strong absorptions of both new and existing inventory kept standing inventory in check. Similarly, lender pre sale requirements have been adhered to by industry players prior to projects breaking ground.

- Most districts registered declines in developer owned units except for Toronto North and Toronto Central. Here, demand has not quite kept pace with the large volume of launches over the past several years, resulting in low but increasing standing inventory.

CONDOMINIUM APARTMENT PROJECTS BY SIZE, JUNE 2004

REGION	<50	50-99	100-149	150-199	200+	TOTAL
Toronto Central (Old Toronto City,East York,York)	142	98	63	37	76	416
Toronto West (Etobicoke)	10	9	14	9	41	83
Toronto East (Scarborough)	10	13	10	20	69	122
Toronto North (North York)	24	16	37	44	87	208
Total Toronto	**186**	**136**	**124**	**110**	**273**	**829**
York Region	9	21	31	19	22	102
Peel Region	10	12	28	27	60	137
Durham Region	14	10	4	7	7	42
Halton Region	32	35	21	9	6	103
Total GTA	**251**	**214**	**208**	**172**	**368**	**1213**
Toronto CMA	**217**	**183**	**193**	**165**	**364**	**1122**

Source: CMHC(Condominium Survey)

DISTRIBUTION BY AGE OF STRUCTURE, JUNE 2004

	UNIVERSE			
REGION	<1976	76-85	86-95	96+
Toronto Central (Old Toronto City,East York,York)	11.5%	18.0%	27.2%	43.3%
Toronto West (Etobicoke)	38.1%	16.5%	29.1%	16.3%
Toronto East (Scarborough)	13.4%	31.5%	35.0%	20.1%
Toronto North (North York)	23.9%	23.3%	15.3%	37.6%
Total Toronto	**19.0%**	**22.0%**	**25.3%**	**33.7%**
York Region	6.3%	7.7%	58.5%	27.5%
Peel Region	17.4%	21.5%	48.8%	12.3%
Durham Region	13.2%	20.9%	54.2%	11.7%
Halton Region	5.4%	22.1%	41.3%	31.3%
Total GTA	**17.0%**	**20.8%**	**32.7%**	**29.5%**
Toronto CMA	**17.3%**	**21.0%**	**32.2%**	**29.5%**

Note: Rows may not add up due to rounding errors

Source: CMHC (Condominium Survey)

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RENTAL CONDO APARTMENT VACANCY RATE ESTIMATE, JUNE 2003-2004

REGION	2003		2004	
	Vacant Units	Vacancy Rate	Vacant Units	Vacancy Rate
Toronto Central (Old Toronto City,East York,York)	389	3.6%	229	1.8%
Toronto West (Etobicoke)	35	1.4%	1	0.0%
Toronto East (Scarborough)	4	0.1%	8	0.2%
Toronto North (North York)	69	1.0%	50	0.6%
Total Toronto	**497**	**2.0%**	**289**	**1.1%**
York Region	6	0.3%	4	0.2%
Peel Region	29	0.6%	32	0.6%
Durham Region	0	0.0%	10	1.6%
Halton Region	1	0.2%	0	0.0%
Total GTA	**534**	**1.6%**	**334**	**0.9%**
Toronto CMA	**463**	**1.4%**	**286**	**0.8%**

Footnote: The GTA vacancy rate estimate of 0.9% is accurate within 0.1%, 19 times out of 20. Regional vacancy rate estimates range in accuracy from 0.2% to1%, 19 times out of 20

Source: CMHC(Condominium Survey)

ACTIVE APARTMENT CONDOMINIUMS, JUNE 2004

REGION	UNDER CONSTRUCTION	SELLING (NOT STARTED)	COMPLETED BUT NOT REGISTERED	TOTAL NOT REGISTERED
Toronto Central (Old Toronto City,East York,York)	8,678	9,126	1,556	19,360
Toronto West (Etobicoke)	1,191	2,108	544	3,843
Toronto East (Scarborough)	1,308	252	770	2,330
Toronto North (North York)	5,075	2,476	511	8,062
Total Toronto	**16,252**	**13,962**	**3,381**	**33,595**
York Region	1,337	1,788	367	3,492
Peel Region	2,533	3,317	350	6,200
Durham Region	300	402	0	702
Halton Region	419	282	32	733
Total GTA	**20,841**	**19,751**	**4,130**	**44,722**

Source: CMHC(Starts and Completions Survey)

DEVELOPER OWNED CONDOMINIUM APARTMENT ESTIMATE, JUNE 2003-2004

REGION	2003		2004	
	Developer Owner Units	% of Total Universe	Developer Owner Units	% of Total Universe
Toronto Central (Old Toronto City, East York, York)	91	0.2%	188	0.4%
Toronto West (Etobicoke)	66	0.4%	33	0.2%
Toronto East (Scarborough)	9	0.0%	0	0.0%
Toronto North (North York)	137	0.4%	222	0.6%
Total Toronto	**303**	**0.2%**	**443**	**0.3%**
York Region	1	0.0%	18	0.1%
Peel Region	210	0.8%	22	0.1%
Durham Region	0	0.0%	0	0.0%
Halton Region	6	0.1%	0	0.0%
Total GTA	**520**	**0.3%**	**482**	**0.3%**
Toronto CMA	**519**	**0.3%**	**443**	**0.3%**

Footnote: The GTA and regional percent developer owned estimates are accurate within 0.1%. 19 times out of 20.

Source: CMHC(Condominium Survey)

About the Survey

During the month of June 2004, Canada Mortgage and Housing Corporation (CMHC) conducted its annual survey of residential condominiums in the Greater Toronto Area. Only completed and registered apartment condominium projects are surveyed. Please note, this survey **excludes** any condominiums that are included in CMHC's annual survey of privately initiated rental accommodation in the Rental Market Survey (RMS).

The main objective of the condominium survey is to identify the extent to which registered apartment condominiums not included in CMHC's Rental Market Survey are being offered for rent, and to subsequently find the rental vacancy rate in these buildings. The data was collected for all regions within the GTA, including Toronto, York Region, Peel Region, Halton Region and Durham.

In 2000, sampling and market area groupings were introduced to inject more efficiency into the survey. Results are accurate at the 95% confidence interval level for all areas. Over 700 structures were surveyed with sampling results shown in the Table on page 2.

In conducting the study, two main sources of information were utilized; a survey of residential condominium corporations and a survey of property management companies, to whom we extend our thanks and appreciation.

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